

Message Text

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TO AMEMBASSY BERN PRIORITY

C O N F I D E N T I A L STATE 199774

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: CIEC; SECRETARY'S MEETING WITH MACEACHEN AUG 18;
BRIEFING PAPER

FOR AMBASSADOR DAVIS; HOLD FOR UNDERSECRETARY ROGERS

1. FOLLOWING IS A BRIEFING PAPER PREPARED FOR
SECRETARY KISSINGER'S MEETING WITH CANADIAN SECRETARY
OF STATE FOR EXTERNAL AFFAIRS MACEACHEN ON WEDNESDAY,
AUG 18. THE PAPER HAS BEEN CLEARED BY EB, EUR, AND
INCORPORATES ADDITIONS SUGGESTED BY YOUR STAFF.

2. BEGIN TEXT.

ISSUE

THE CIEC CAME TO AN IMPASSE IN JULY OVER THE WORK
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PROGRAM FORMULATION ON DEBT RELIEF AND PROTECTION OF

PURCHASING POWER (INDEXATION). MACEACHEN HAS BEEN WORKING WITH THE OTHER CONFERENCE CO-CHAIRMAN, PEREZ GUERRERO OF VENEZUELA, TO TRY TO FIND LANGUAGE ON THESE POINTS ACCEPTABLE TO BOTH THE G-8 AND G-19 PARTICIPANTS. WHETHER HE IS ABLE TO DO SO WILL DEPEND MAINLY ON THE FLEXIBILITY IN THE G-19 POSITION ON THESE TWO ISSUES.

BACKGROUND/ANALYSIS

THE FOUR CIEC COMMISSIONS WERE UNABLE TO REACH AGREEMENT ON THEIR COMPLETE SECOND-HALF WORK PROGRAMS DURING THEIR JULY 12-17 MEETING. THEY HAD BEEN MANDATED TO DO SO BY THE CIEC SENIOR OFFICIALS MEETING OF THE PREVIOUS WEEK WHICH HAD AGREED THAT THE SECOND HALF OF CIEC WOULD BE ACTION-ORIENTED, DIRECTED TOWARDS PRODUCING CONCRETE, BALANCED RESULTS.

MOST ITEMS OF THE COMMISSIONS' WORK PROGRAMS WERE AGREED, BUT THE DEVELOPING COUNTRIES (G-19) INSISTED, AT THE LAST MINUTE, ON UNACCEPTABLE LANGUAGE ON THE IMPORTANT ISSUES OF DEBT RELIEF AND PURCHASING POWER. THESE NON-NEGOTIABLE FORMULATIONS WOULD HAVE PREJUDGED THE RESULTS OF SUBSTANTIVE DISCUSSIONS AND COMMITTED THE INDUSTRIALIZED COUNTRIES TO BOTH GENERALIZED DEBT RELIEF FOR A LARGE NUMBER OF LDCS AND INDEXATION OF THE PRICE OF OIL AND OTHER KEY LDC COMMODITY EXPORTS.

WE ARE NOT CERTAIN WHETHER THE G-19 CREATED THE CRISIS IN JULY BECAUSE SOME KEY LDC PARTICIPANTS HAVE DECIDED CIEC IS EITHER NOT SERVING THEIR INTERESTS OR SHOULD BE POSTPONED UNTIL NEXT YEAR, OR WHETHER IT WAS A TACTICAL MOVE DESIGNED TO MOVE THE INDUSTRIAL COUNTRIES TOWARD THE OUTCOME ON THESE ISSUES (AND PARTICULARLY DEBT RELIEF) THE G-19 DESIRES IN DECEMBER. IF THE LATTER CONSIDERATION WAS THE PRIMARY G-19 MOTIVATION, A SOLUTION TO THE LANGUAGE PROBLEM CAN PROBABLY BE FOUND THOUGH THE SEPTEMBER COMMISSION MEETINGS MAY BE DELAYED; IF THE FORMER PREDOMINATED, THE FUTURE OF THE CONFERENCE IS IN DOUBT. WE DO NOT CONFIDENTIAL

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BELIEVE, HOWEVER, THAT IN SOLVING THE LANGUAGE PROBLEM, WE SHOULD LEAD THE DEVELOPING COUNTRIES TO BELIEVE THAT - WE WOULD ULTIMATELY MOVE TOWARDS THEIR POSITIONS ON SUCH ISSUES AS DEBT AND INDEXATION WHEN WE HAVE, IN FACT, NO INTENTION OF DOING SO. THIS WOULD ULTIMATELY LEAD TO CONFRONTATION AT THE DECEMBER MINISTERIAL.

WE HAVE MADE REPRESENTATIONS IN ALL CIEC CAPITALS

STRESSING OUR WILLINGNESS TO DISCUSS IN CIEC ALL ISSUES DESIRED BY THE G-19, INCLUDING DEBT RELIEF AND PURCHASING POWER, AS LONG AS THE OUTCOME OF THESE DISCUSSIONS IS NOT PREJUDGED. WE AGREE THAT CONCRETE, BALANCED RESULTS SHOULD EMERGE FROM THE SECOND HALF OF CIEC

AND IN COMMISSION MEETINGS WE HAVE NOTED A NUMBER OF AREAS WHERE WE THINK PROGRESS CAN BE MADE. BUT WE CANNOT COMMIT OURSELVES IN ADVANCE TO ANY SPECIFIC OUTCOME OF THE DISCUSSIONS. IN PARTICULAR, WE WILL NOT BE ABLE TO ACCEPT AUTOMATIC OR GENERALIZED DEBT RELIEF OR INDEXATION OF OIL AND COMMODITY PRICES.

WE ARE WILLING TO WORK CONSTRUCTIVELY AND ACTIVELY TO IMPLEMENT THE DEBT RESOLUTION PASSED AT UNCTAD IV. THIS HAS TWO MAJOR ASPECTS IN OUR VIEW: 1) GUIDANCE FOR DEBT REORGANIZATION WHICH ENSURES EQUITABLE TREATMENT FOR DEVELOPING NATIONS IN ACUTE DEBT CRISIS SEEKING DEBT RELIEF; AND 2) MEASURES WHICH MIGHT BE TAKEN TO MAXIMIZE THE EFFICIENCY OF EXTERNAL ASSISTANCE AND PREVENT FUTURE DEBT SERVICE DIFFICULTIES.

THE TWO CO-CHAIRMEN, MACEACHEN AND PEREZ GUERRERO, MET ON JULY 27 TO DISCUSS THE IMPASSE. DURING THE PAST TWO WEEKS, MACEACHEN HAS BEEN BUSY DETERMINING G-8 POSITIONS (WHICH GENERALLY COINCIDE WITH OUR OWN) AND REAFFIRMING SUPPORT FOR HIS EFFORTS. YOU WROTE TO MACEACHEN ON JULY 30 ELABORATING OUR VIEWS AND INDICATING OUR CONTINUED COMMITMENT TO A SUCCESSFUL CIEC. (LETTER IS ATTACHED.) WE ALSO HAVE RECEIVED UNOFFICIALLY A COPY OF THE EC LETTER TO MACEACHEN ON THE DEBT ISSUE. HOWEVER AS IT HAS NOT BEEN GIVEN US OFFICIALLY, WE HAVE NOT COMMENTED ON IT EXCEPT

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TO STRESS THAT THE G-8 POSITION ON THIS ISSUE SHOULD NOT RAISE FALSE HOPES AMONG THE G-19 AS TO OUR FINAL POSITION. (COPY OF EC LETTER ATTACHED.)

MACEACHEN HAS NOW PROPOSED TO PEREZ GUERRERO AN APPROACH WHICH WOULD ENTAIL: 1) SOME SIMPLIFICATION OF THE G-19 PROPOSALS FOR THE WORK PROGRAMS ON DEBT AND PURCHASING POWER PRESENTING THESE ISSUES IN A MORE NEUTRAL WAY, AND 2) A GENERAL CHAPEAU WHICH WOULD STATE THAT THE LANGUAGE OF THE WORK PROGRAMS WOULD NOT PREJUDGE THE SUBSTANTIVE DISCUSSIONS AND WHICH WOULD INDICATE THAT DISCUSSIONS UNDER THE WORK PROGRAM WOULD PROCEED ON THE BASIS OF SPECIFIC PROPOSALS WHICH MIGHT BE INTRODUCED BY DELEGATES AS OF A CERTAIN DATE. PEREZ GUERRERO WILL PROBABLY CHECK THIS APPROACH WITH

G-19 AND G-77 REPRESENTATIVES DURING THE COLOMBO NON-
ALIGNED CONFERENCE. UNDER SECRETARY ROGERS HAS CONSULT-
ED WITH THE GERMANS, FRENCH AND BRITISH OVER THE PAST
FEW DAYS AND FINDS THOSE GOVERNMENTS IN BASIC
AGREEMENT WITH OUR CIEC STRATEGY, THOUGH THERE

ARE DIFFERENCES IN HOW DEBT AND SOME
OTHER ISSUES SHOULD BE PLAYED TACTICALLY.

WE HAVE BEEN CONSISTENTLY IMPRESSED WITH
MACEACHEN'S PERFORMANCE DURING THE CIEC. HE HAS
MAINTAINED CONTINUAL CONTACT WITH G-8 COUNTRIES TO
COORDINATE THEIR POSITIONS AND HAS PROVED TO BE A
SKILLFUL NEGOTIATOR WITH PEREZ GUERRERO AND OTHER G-19
LEADERS. PEREZ GUERRERO DOES NOT ENJOY A SIMILAR
DEGREE OF CONFIDENCE AMONG THE G-19; FOR THAT REASON,
HE OFTEN INCLUDES OTHER G-19 REPRESENTATIVES IN HIS
CONVERSATIONS WITH MACEACHEN.

TALKING POINTS

-- CONGRATULATE MACEACHEN ON THE FINE JOB HE
HAS DONE AS CONFERENCE CO-CHAIRMAN IN DIFFICULT
CIRCUMSTANCES.

-- AS I INDICATED IN MY LETTER TO YOU, WE REMAIN
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COMMITTED TO THE SUCCESS OF THE CONFERENCE,
AND TO PRODUCING CONCRETE, BALANCED RESULTS
AT ITS CONCLUSION IN DECEMBER. BUT A SUCCESSFUL
CIEC REQUIRES THE COMMITMENT OF ALL PARTICIPANTS --
THE G-19 AS WELL AS G-8 COUNTRIES -- TO A
COOPERATIVE SEARCH FOR A PRACTICAL SOLUTION.

-- WE ARE, AS YOU KNOW, WILLING TO DISCUSS ANY
TOPIC SERIOUSLY AND CONSTRUCTIVELY IN THE
COMMISSIONS BUT CANNOT ACCEPT PREJUDICIAL
LANGUAGE IN THE WORK PROGRAMS WHICH WOULD
COMMIT US TO A SPECIFIC OUTCOME OF THE
DISCUSSIONS. WE ARE WILLING TO RESPOND IN
A PRACTICAL, CONSTRUCTIVE MANNER TO CERTAIN
DEVELOPING COUNTRY CONCERNS, SUCH AS ENERGY,
RESOURCE AND TECHNOLOGY TRANSFER.

-- WE DO NOT CONTEMPLATE ACCEPTANCE OF PROPOSALS
WHICH ENDORSE GENERALIZED OR AUTOMATIC DEBT
RELIEF OR INDEXATION OF OIL AND OTHER COMMODITY
PRICES.

-- WE BELIEVE OTHER G-8 COUNTRIES HOLD SIMILAR
VIEWS.

-- WE FULLY SUPPORT YOUR EFFORTS TO RESOLVE THE
IMPASSE AND BELIEVE YOU SHOULD REMAIN THE
FOCAL POINT OF G-8 EFFORTS TO GET THE CONFERENCE
RESUMED.

-- WE WOULD APPRECIATE YOUR ASSESSMENT OF THE
SITUATION NOW THAT YOU HAVE CONSULTED WITH
G-8 GOVERNMENTS AND HAVE HAD A PRELIMINARY
EXCHANGE WITH PEREZ GUERRERO.

-- WE HAVE NOT OFFICIALLY RECEIVED THE EC RESPONSE
TO YOU ON THE DEBT ISSUE AND CANNOT COMMENT
ON IT. BUT WE DO BELIEVE THAT IT IS NOT
IN THE INTERESTS OF INDUSTRIAL COUNTRIES TO
RAISE FALSE HOPES AMONG THE G-19 ABOUT OUR FINAL
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POSITIONS ON DEBT AND INDEXATION THROUGH
ARTFUL WORDING OF THE WORK PROGRAMS.

END TEXT. ROBINSON

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